Secy 30-26 (5,6,7)
L M 4-29 (5-7)

App. F. IX-4

Previous references.
L. M. 4-29 (1,3,4)
Secy. 21-28 (5,6)
Legis 63 28 (1-2)
Later references.
Legis A. 47-32 (1-3)

1931-2 (L. M.)

File No. 13-31

Serial Nos. 14, 17.

preserve

General and Revenue Secretariat.

Serial Nos. six

Par B for Dept 32

SUBJECT.

Postponement of the Constitution of the first of Board of Supervision of the Land Bank.

G. R. S. APP F. III—1] 1931.

GENERAL AND REVENUE SECRETARIAT.

(L. M)

NOTES. L. M File No. 13-31

FILE HEADING.

Postponement of the Constitution ~~Continuance~~ of the first Board of Supervision of the L. M. Bank

FROM The Regr of C.S.

No. 3284 C.S. Dated 14th Nov. 1931 Received 16/11/31

Diary No. 1824	Enclos. -	Spare copies +	Serial No. 1

BRIEF ABSTRACT OF LETTER.

States that period of two years prescribed for the Constitution of the First Board of Supervision of the L. M. Bank expires at the end of the month, and requests the Continuation of the existing arrangement pending ~~the Consideration~~ certain amendments to the existing law proposed to be made & now under consideration

NOTES AND ORDERS.

1 Draft notification Subs.

19/11 2 Sec 53 of the Regn lays down that the Byelaws of the Bank shall provide for the Constitution of a Board of Supervision in addition to a Committee. Under Sec 66 of the Regn Govt may make rules for the appointment, Suspension and removal of the members of the Board of Supervision &c but it is not clear

NOTES—First Sheet.

WD 01683—GPB—5,000—3-5-29

General and Revenue Secretariat | File No. | of 193

Serial No.

No 81

of this section empowers Govt to direct the postponement of the constitution of the Board if the general body of the Bank decide to constitute one in accordance with the bylaw which has been approved by Govt ~~and~~ or to ask the bank to amend the bylaw. In this connection it is submitted that Rule 5 under the Board of Supervision may have been inserted to avoid the indefinite postponement of the constitution of the Supervision Board and the spirit of the rule was embodied in the bylaw 81 of the Bank. Subject to orders of the Suggestion of the Regr may be approved

W.P.
19.11.31

3. Sec 66 of the Co-operative Societies Regulation No V of 1929 read with Secs of the same Regulation does not seem to give power to Govt to amend the rule as suggested by the Regr. The use of the word shall in Rule 5 & Bye-law 81 is significant and no option is left. Further how the President or his own Account can suggest Amendments to the Regulation is a matter for consideration Before the Board of Supervision actually comes into existence a proposal comes up to do away with it altogether. The Consideration of the Amendments even if taken up

Rule 5 under the Board of Supervision & Bye-Laws 1 approved by the Registrar

TE—Contn. Sheet.

WD 02553—G PB—50,000—8-7-30

will take pretty long time before they could be incorporated. It is thus a matter for consideration why the Rep[t] should not be told that the existing Rule cannot be amended as suggested and that necessary action may be immediately taken to have the Board of Supervision Constituted at once.

20/11/31

D. Sees)

+ No reason is assigned as to why a Board of Supervision is now regarded as unnecessary. The proposal comes up just about the time when the Board should have come into existence. The Constitution of the Board is obligatory under the Rep[n]. and till the Rep[n]. is amended, the provisions thereof should be given effect to. As regards the proposed amendment to rule (1) para 5, it is an emergency proposal to get over the present impasse of having to Constitute a Bd of Supervision immediately. I feel fear doubt as to the expediency of having recourse to this tactics.

23/11 24/11

2nd Member) 5. Please bring up

6. I quite agree that 25/11 24/11
we have no power to increase the period from 2 to 4 years. The proposal cannot therefore be approved. As regards further procedure we need not entrance the

OFFICE OF THE COUNCIL
31
No. 3328

General and Revenue Secretariat

File No. 13 of 1931.

Serial No.

formation of the board till a decision is arrived at finally as regards the necessity of such a board. This is stated to be pending in the Regr's office & the Govt be requested to expedite their submission as early as possible when orders are passed on that question the formation of the Bd may be taken up

Jpk 26/11

7 Subd with draft 27/11

KP 27/11

8 Put up a fair draft plus 1 28/11/31

9 Fair draft submd

KP 30/11

10 Draft is subd for approval

KP 30/11

11 Issue 30/11

Dev Secy)

To

The Regr C.S

D 2853 dt 2-12-31.

States that there is no power to increase the period prescribed for the constitution of the Board from 2 to 4 years after the bank has started work and requests to submit with his opinion

NOTE—Contn. Sheet.

G SE
28. NOV. 1931
4.40 P.M.
& RE

TYPING SECTION
1. DEC. 1931
GENL. & REVENUE DEPTT.

the proposals of the President for the amendment of the Regn which are stated to be pending

GEN. & REVENUE SECRETARIAT
154/D20/31-1931
DEVELOPMENT BRANCH.

Letter no: 4110/C1 dated 12-12-31
From the Regr- C. S.

States that Govt have no powers to amend the rules in accordance with Sec. 66 of the Regn and requests approval to his proposal to increase the period for the continuance of the Board of Supervision of the L-m- Bank from 2 to 4 years also ——— and submits his views in regard to the proposals made by the President of the L-m- Bank about certain Amendments proposed by the Predt: for adoption ——

12 Subd for orders with reference Members minute in para 6 of the notes —

GS has 21

13 Please put up a Comparative Statement showing in Parallel columns the existing provisions of the Regulations, the proposals of the President L-m- Bank, the Regr's & Regr Vice's and the Govt's remarks for Govt's orders & Govt's remarks & same then for orders.

11/1/32

General and Revenue Secretariat | (File No. of 193 / .

Serial No.

(S)

14 The Statement is put up

HQ 19/1/32

15 Please put up the Select Committee report the Despatches file

22/1/32

16 To the Protection Branch for kind compliance

HQ 23/1/32 KM 28.1.32

3277/31 P

17 Returned with compliments;

18 d.c Proceedings for June 19-9 P 443 may kindly be requested for discussions of the S. Report & 1101 for report itself. Also Leg. file 63 of 1928-29 may kindly be obtained from the Records from 28K Development Branch

25.1.32

(D)

(E)

19 Sorted with the notes

HQ 25/1/32

20 Returned with notes against each item in the Statement ~~Sorted~~ put up herewith for kind perusal & orders.

Dev. Secy)

25/1/32

NOTE—Contn. Sheet

WD 02553—50,000—GPB—8-7 30

The amendments proposed are not many nor intended to secure an improvement in the working of the Scheme. A good deal of importance is attached to the disadvantages of having a Bd of Supervision. It is dubbed as a fifth wheel in the coach. The Dr Regr. has discussed the need for retaining the provision in regard to this in the Existing Rgn. and I agree it is too soon to think of deleting it. I believe it becomes a matter of prestige between the Directors and the Bd of Sup Prestige should not come in the way of efficient checks being provided for. This is the only amendment on which much Struggle should have been believed.

The other amendments are not favoured even by the Regr. Except that relating to the operations of the Banks Embracing all cases of land impts. I am on this point, I have dissented from the Regr's recommendation.

V for orders.

(1st Schedule)

MK 29/11

29/11

V Sec 52 (1) & Sec 58 (2) and (3)

I think the amendments suggested in these clauses by the Pdt of the Bank and recommended by the Regr may be accepted. Improvement of agriculture is the main object of Co-operative Land Mortgage Banks and freeing lands from previous debts and affording means for increasing their yield are both necessary measures. If a person can borrow from a Land Mortgage Bank for repaying a loan contracted for improving his land there is no reason why he should not be

Serial No.

permitted to borrow from the Bank itself for the same purpose. Please see in this connection what the Pdt states as to how the present restriction can be circumvented. The difficulty of limited finance need not stand in the way of making this amendment. The legislature provision may be there and so that whichever Bank can avail itself of it may do so.

23 Sec 52 (2), Sec 66 (c) and Sec 67.

The amendments at these Clauses may be accepted. They are meant to make the intention of the law clear

24 Sec 53 (a) (o), Sec 54, Sec 55, & 66 (a).

I do not understand why a Board of Supervision is considered necessary in addition to a Committee of Management I see much force in what the Pdt of the Bank states on this subject. A no of Supervising Authorities do not make for smoothness, efficiency or celerity, of more. Please refer to previous papers and note what object this extra Body is intended to serve and if there are any discussions in which the need for both Bodies is canvassed

25 There is one point relating to this Board which has to be settled without delay. I refer to the appointment of the first Board, after the registration of

NOTE—Contn. Sheet 5

the Bank. The appointment of this Board is already overdue under existing rules. The Registrar suggested that the period for its appointment might be extended from two to four years after registration. It has been held in the above note that Govt have no power to allow this extension. I do not understand this word. If Govt could say in existing rules made on their authority that this Board might be formed after two years I do not see why they can not increase this period to four years. If any real legal difficulty is felt the Law Dept may be consulted.

16 If it is desired to retain the Bd of Supervision it is necessary to make it clear that it is necessary required only in the case of a Central Bank and not of these Banks. One of the amendments now proposed is to bring all these institutions only under one category.

17 Sec 53 (6). What are the corresponding rules in Bombay and Madras, whether fixed in Laws. or Rules under them? There is much to be said in favour of keeping the dividend rate low but the question is if Land Mortgage Banks would attract sufficient capital if the rate is unduly low. What is the share of their funds expected to be found from Share Capital and from floatation of Debentures? Any modification of the Law in this respect may perhaps wait until we get some more experience as to how the existing rate works.

These Banks.

18 Sec 54. Two Nominees of Govt. This may be accepted.

6/7/32

19 Please refer to A.S.H.C. to submit any Govt

Serial No.

30 A. The establishment of a Board of Supervision was contemplated from the inception of the L.M. scheme., Vide the original bylaws of the Bank issued with G.O. no G. 11438-44/ Samy 30-26-) dt 10.4.1928. The duties of the Board of Directors and of the Board of Supervision are separately and sharply defined in bylaws 38 & 39.

(F)

31 That the working of the two Boards simultaneously might not lead to smoothness has been considered in the early stages of the scheme. In his note dt 23.11.1927, Rao Bahadur M. Shama Rao has pointed out the desirability of the Board of Supervision coming into existence at a later period, after the need is felt. (vide p.10 of his note filed in Samy file 30-26)

(D)

32 Legal provision has subsequently been made in the Amending Regulation V of 1929, for the Constitution of the Board of Supervision and for empowering Govt. to make such rules as to provide for the appointment, suspension removal of the members of the Board of Supervision, procedure at the meetings of the Board, and the powers to be exercised and the duties to be performed by the Board. The other refers to this Board in the Regn are found at Sec. 53 (c), Sec 54. and Sec 55.

33 In the bye laws issued with G.O No G. 5927-D./L.M. 4-29-3 dt 11.11.1929,

(14)

NOTE—Contn. Sheet.

the powers of the Board of Supervision already laid down in Bye Laws 39 of the original byelaws were omitted, ~~but~~ the Regr. ~~in his proposal in the file showed~~ views considered that the powers assigned to the Bd of Supervision (L) ~~were considered~~ were excessive, and wanted them to be cut down, as "it is not fair that this Board should sit in judgment over the decisions of the Board of Directors."

14 Simultaneously with the issue of the revised byelaws of the Bank, Govt issued a set of Rules under the Regulation, containing, among other matters the following provisions in respect of the Board of Supervision:-

Rule 5. The Constitution of the Board of (K) Supervision, not later than two years after the Registration of the Bank, and the empowering of the Regr of C.S. to perform the duties & exercise the functions of the Board until its constitution

Rule 6:- (i) auditing of the accounts of the Bank at least twice a year by two of the members the powers of the Board are defined in

(ii) Presenting the Statement of accounts of the Bank based on such audit to the General meeting

(iii) Settling the principles of land valuation.

(iv) Recording its opinions on the proposal of the Board of Directors relating to the issue of debentures.

(v) Recording its opinion on any matter connected with the General policy or organizat or working of the Bank & making recommendas to the Board of Directors or to Govt.

Serial No.

35 The Board of Supervision ought to have come into existence now. The Registrar has suggested that Rule 1, para 5 of the existing rules may be amended so as to empower the Constitution of the first Board not later than four years instead of two.

36 In the opinion of the President of the Bank the Board is superfluous. The Registrar agrees with the President, on the ground that the Board, if constituted would sit in judgment over the decisions of the Board of Directors, and that the General Body is competent to hear appeal against the decisions of the Board of Directors. But as the rules stand, there is no suggestion of sitting in judgment over the work of the Board of Directors. Auditing is a function to which perhaps the exception is taken. But audit can only be effective & efficient if conducted by a body unconnected with actual administration. The Board of Directors is an administrative body, which has no statutory ~~existence~~ recognition. The Board of Supervision is the body having a statutory existence. The fact that the latter body is entrusted with the auditing function does not seem to justify its retention. This question is for orders.

B 37 B The Law Secretary will be consulted as to whether there could be

Contn. Sheet.

4537/41

15

Law File No. 13 of 1931 | General and Revenue Secretariat

any objection to the adoption of the suggestion of the Regr. regarding the amendment to Rule 1 para 5.

38 C. A draft enquiry is subd. No book or literature which could furnish the info is available in the Library 27/2 Law

MD 26/3

MR 17.3.32.

39 B — Yes please Consult Law Dept.

40 C — Done 26/3/32

To The Regr of C.S
D 4925 d 1.4.32.

Enquires what the corresponding rates of dividend in the Madras and Bombay L.M Banks are, whether they are fixed in laws or rules and how much of the capital of these banks could be expected to be found from shares and how much from floatation of debentures by them.

1/1 To the Law Section for favour of opinion as above (para 39)

KO 1/4/32

KO 1.4.32

4537-B31

(14

[App. F III—2

General and Revenue Secretariat — File No. — of 193

Serial No.

2/2 Law

4) Under Regulation V of 1929, provision for Constituting a Board of Supervision can be made by means of a bye-law under sec 53(a). Bye-law 81 made in pursuance of this says that the said Board shall come into existence two years after the opening of the Bank. There is nothing to prevent the L.M. Bank to alter this bye-law subject to the approval of Govt, so as to make the Board come into existence four years after the opening of the Bank.

43 Rules under sec 66 may provide for the working of the Board of Supervision constituted under the bye-law. It is doubtful if the rules themselves can provide for such constitution. The first portion of Rule 5 of the Rules may therefore be omitted entirely, since the same is provided for in bye-law 81. Rule 5 may merely provide for the Registrar performing the functions of the Board, till it is constituted as per bye-law 81.

Dear Sir,

4a Submitted with reference to para 39 above 22/4/32

KB 25.4.32

4b Dy. Secy)

4c Director)

4d The above Memorandum may be communicated to the Registrar regarding the postponement of formation of the Board of Supervision when

X 26/4/32

4e) 27.4.32 27/4

GOVT. OF THE FIRST ISLE 1611 27 APR. 1932 6682

1259

Postponement of the Constitution of the L.M. Board of Supervision

L 1st File No. 1.3 of 193 1. | General and Revenue Secretariat

US Draft mod
MD 30/4 KB

US For perusal before issue
2/5/32

Dir. Secy)

S/Sec
MMS 3/5 2/3/5

To
The Regr of Cs 7
No 5622 dt 9.5.32
Communicates the decision of Govt in regard to his proposal to increase the time-limit prescribed for the constitution of the Board of Supervision of the L.M Bank from two to four years.

From the Regr of Cs. 6
No 7190 Cs. dt 9-4-32
With reference to Sl. 4. states that the max: rate of dividend payable to shareholders in the Madras Central L.M. Bk is 7% subject to a contribution from net profits to Reserve Fund of 25% thereto rate is fixed in Bombay. Opines that the rate of dividend on shares of the L.M Bank now fixed in the Regs may be enhanced

US Drfd. for perusal and orders
* Refer para 27 of 30 & 40 supra

MD 10/5 KB
Asst. Secy)

1st Member)

2/11/5/32
MMS 12/5 2/12/5

Serial No.

53 On this point the President of the Bank and t Registrar differ. The President saw me a couple of days back and suggested the desirability of all the proposed amendments being discussed at a meeting at which himself, the Registrar of ~~Joint~~ Co-op Societies. Stock Companies the Development Secretary and ~~x~~ myself are present, a this meeting might be summoned as early as possible and for facilitating discussion a statement of the su gested amendments and the provisional views formed in regard to them may be prepared.

Mug 13/1/32

A | The statement in the file vide Flags ?? & ? contains all the points required for the discussion. If approved it will be typed and copies made available ~~for~~ ~~of~~ facility of reference by the members of the meeting. 14/1

B | Draft D.O, [redacted] inviting the Regr of C.S. and the Presdt. Cent. Bank to ~~a~~ ~~which would be suitable for~~ the meeting is put up. The date & hour to be fixed inserted in the draft.

KP 14/1

A — I shall examine this separately.
B — Draft for approval & issue. Date & hour of meeting are solicited.

15/1/32

Sec. Secy.

D.O issued to the Presdt. Cent. Bank & the Regr of Co-operative Societies.

KP 20/1/32

The file is resealed as requested in A.

Private secy 20/1/32

WD 70—GBPM—60,000—13-8-31.

From the Pres[illegible]t. L. M. Bank
D.O. No 663 dy 29-5-32
Forwards a note relating to points on which orders are requested
Secy's orders thereon:—
Urgent. I have the file with me. Pls bring up. Letter may be acknowledged.
Initd B.T.K. 30/5
" BPM. 30/5
Draft acknowledgg put up
MS 31/5 Initd KP
For approval
Dev. Secy. Initd BPM. 31/5
Issue letter signed by the Secy & put up
Initd B.M. 31/5
Issued No. D. 6095 dy 31-5-32
Noted as directed above
MS 1/6 Initd KP
Initd B.M. 1-6-32
Dev. Secy
Please see the notes in the Statement indicating the decision arrived at at the meeting on 24-5-32. Further action may be taken accdgly in consultation with the Law Secty. Before doing so, please note the inference urged in the minute under of the Member on the Statt. The letter of Mr Srinivasaraghavan deals with the Subject discussed at the meeting on 24. The Comptroller was consulted. The papers may be carried over to the other file
MS 5/7
6/7/32

4636

[App. F. III—2]

General and Revenue Secretariat — File No. 3 of 193 /.

Serial No.

Please see the file in which the general amendments suggested by the Registrar are received. The amendments settled on this file are included in the draft Bill placed on that file.

Mark
9.9.32

The file has been received, and sent to the Protection Branch for taking particulars of appeal. These papers will now be recorded & kept pract.

9/9/32 KB
9.9.32

GEN. & REV. SECR.

DEVELOPMENT BRANCH.

12/9/32

No. 5910/L.M. 13-31

Dated 19th May 1932.

Dear Sir,

In continuation of my D.O. letter of even date, I write to say that if it suits your convenience the First Member of Council will be glad to -- discuss with you and the Registrar of Co-operative Societies the proposals re. certain amendments to the Co-operative Societies Regulation on the 24th instant at 3 P.M. in his Chambers in the Public Offices. I shall be obliged for a line in reply.

Yours sincerely,

Sd/- B.T.K.

Rajasabhabhushana

K.R. Srinivasa Iyengar, Esq., M.A.,

President, Land Mortgage Bank.

D.O. No. 5911, dated 19th May 1932.

Dear Sir,

Please see copy of letter of even date addressed to the President of the Land Mortgage Bank herein enclosed for your information. I am desired to request you to attend the meeting. Mr. E.V. Ganapathi Iyer also may be asked to be present.

Yours sincerely,

Intd. B.T.K.

To

K.H. Ramaiya, Esq., B.A., Bar-at-law.,
Registrar of Co-operative Societies
in Mysore.

Draft approved

Appendix F G—1]

SUBJECT .....

.....

.....

General and Revenue Secretariat

( )

the *193*

Date of issue 31-5-32

Signed by B T Kesava Iyer

List of enclosures .....

Copied by .....

Examined by .....

Section L-M.

File No.

Serial No.

Diary No. of letter replied to .....

No D 6099

To Dear Sir,

I am directed by the Bikkanur to acknowledge the receipt of your note explaining the points on which orders of Govt are required in respect of the L. M. Scheme, forwarded with your D.O. No. 463 of 29.5.32. I shall submit the same for obtaining orders

Yours sincerely

31/5

To

Narasabhathusha

M R Srinivasayya Esq

Presd. L. M. Board

WD 71—GPBM—40,000—20-7-31.

DEPARTMENT OF CO-OPERATION
GOVERNMENT OF MYSORE.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE.

Telegraphic Address:
"CO-OPERT"
BANGALORE

Dated, Bangalore, 14th November 1931.

D 1824

LM 13-31-1

GEN. & REV. SECRETARIAT
9 NOV. 1931

DEVELOPMENT BRANCH

FROM

K. H. RAMAYYA, ESQ., B.A., BAR-AT-LAW,
REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE, BANGALORE.

DEVELOPMENT SECRETARY
14 NOV. 1931

To

B.T.Keshava Iyengar,Esq.,B.A.,
Secretary to the Government of Mysore,
Development Department;Bangalore.

Sir,

I have the honour to state that under para (5) of the Rules relating to the Board of Supervision of the Land Mortgage Bank, framed by Governmen and issued in Notification No.G.5929/L.M.4-29-4 dated 11th November 1929, the first Board of Supervision of the Land Mortgage Bank has to be constituted not later than two years after the registration of the Bank, and til a Board of Supervision is constituted, the Registrar of Co-operative Societies shall perform the duties and exercise the functions of the Board. -- Arising from this Rule and in conformity thereto, Byelaw No.81 of the Byelaws of the Land Mortgage Bank, approved by Government, provides that the Board of Supervision shall come into existence two years after the opening of the Bank. The Land Mortgage Bank was registered on 25th November 1929, and commenced work from 29th November 1929 on which date the first meeting of the Board of Directors of the Bank was held. The period of 2 years prescribed in the byelaw No.81 above will therefore expire by the end of this month.

In his letter No.S.I.115 dated 19th September 1931 to me, the President of the Land Mortgage Bank has proposed certain amendments of the existing Regulation No.V of 1929 which enacts the special provisions relating to the Land Mortgage Bank. Among the amendments proposed by him is one providing for the doing away altogether with the Board of Supervision. I am considering the amendments of the Regulation proposed by the President and shall be submitting my proposals separately. Meanwhile, pending consideration of the President's proposals regarding the amendment of the existing Regulation, I request that Government may be pleased to continue the existing arrangement and in exercise of the powers conferred on them by Section 55 of the Co-

Co-operative Amendment Regulation No.V of 1929, to amend Rule 1 para (5) of the existing rules so as to empower the constitution of the first Board not later than 4 years, instead of 2 years as now. The President of the Land Mortgage Bank will be requested to have byelaw No.81 of the Bank also suitably amended in due course so as to be in conformity with the Rule as modified by Government.

I have the honour to be,
Sir,
Your most obedient servant,

Registrar.

No N 2853

Draft for approval
L.M. 13-3-32

72

To

The Registrar of Co-operative
Societies in Mysore.

Sir,

With reference to your letter No. 3284 C.S. dated 14th November 1931 requesting the amendment of Rule 1 para (5) of the Rules issued under notification No.G. 5929/L.M.4-29-4 dated 14th November 1929 for putting off the constitution of the Board of Supervision of the Land Mortgage Bank for another two years pending consideration of certain proposals made by the President of the Land Mortgage Bank, for doing away altogether with the Board of Supervision, I am directed to state that there is no power to increase the period ~~from 2 to 4 years~~ prescribed for the constitution of the Board of Supervision from 2 to 4 years after the Bank has started ~~the~~ work. I am however to request you to be so good as to submit immediately with your opinion the proposals of the -- President for the amendment of the Regulation which you say are pending with you.

Orders 2/12/31

sd/ M. B. Rudrachariar

I have etc.,

Secretary to Government,
Dev. Department.

No. 4110/08 Ene 6

Telegraphic Address:
"CO-OPERT"
BANGALORE

DEPARTMENT OF CO-OPERATION
GOVERNMENT OF MYSORE.

OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE.

Dated, Bangalore, 11th December *1931*.

12 D 2

DEVELOPMENT SECRETARIAT
From 14 DEC. 1931

LM 13-31-3

GEN. & REV. SECRETARIAT.
14 DEC 1931
DEVELOPMENT BRANCH.

K. H. RAMAYYA, ESQ., B.A., BAR-AT-LAW,
REGISTRAR OF CO-OPERATIVE SOCIETIES
IN MYSORE, BANGALORE.

To 7/14112

B.T. Kesaviengar, Esq., B.A.,
Secretary to Government, Development Department,
B a n g a l o r e.

Sir,

With reference to your letter No.D.2853/L.M.13-31-2 dated 2nd December 1931 stating that Government have no power to increase the period prescribed for the constitution of the Board of Supervision of the Land Mortgage Bank, Ltd., and calling for the proposals of the President of the Land Mortgage Bank for the amendment of the Co-operative Regulation, I have the honour to state as follows:-

The period of two years after the registration of the Bank for the constitution of the Board of Supervision has been prescribed in Rule (1) para 5 of the Rules issued under Government Notification No.G. 5929/L.M.4-29-4 dated 11th November 1929. Government have got powers to amend these rules in accordance with Section 66 of the Regulation No.V of 1929 and in fact Government have amended in some respects the Rules published with the above Notification in their Notification No.G.13306/L.M 4-29-7 dated 12th May 1930. (A copy of this second Notification is enclosed for ready reference) It therefore seems to me that Government have got the power to amend the Rule referred to so as to increase the period prescribed for the constitution of the Board of Supervision from 2 to 4 year as proposed by me. Pending consideration of the amendments to the Regulation, this proposal may be approved and the rule amended accordingly.

With regard to the amendments to the Regulation proposed by the President, I send herewith a copy of letter No.S.I.115 dated 18/19th September 1931 together with copies of its enclosures received from the President and also a note by the Deputy Registrar of Co-operative Societies on the proposed amendments. The question was also discussed by me in person

with him on 6th November 1931. I am of opinion that the amendment to Section 52 (1) and other similar provisions of the Regulation so as to empower the Land-Mortgage Bank and Land-Mortgage societies to grant loans for land improvement purposes irrespective of the fact whether loan has been granted for redemption of prior debts or not on the mortgage of the same property, is very desirable and necessary. I brought this to the notice of the K.R.S. Special Committee and the Committee resolved that the law should be got amended so as to empower the Institutions to grant loans for the Land Improvement purposes.

The next point proposed by the President is the deletion of all the provisions relating to the Board of Supervision. It would appear that, there is no such board in any of the Land-Mortgage Banks starte in Madras, Bombay and other places in British India. It is only in the byelaws of co-operative societies and Land-Mortgage Institutions in Germany that provision exists for such boards of supervision. When the byelaws of the Bank were discussed by me with the Member of Council, I had expressed myself not in favour of the Board of Supervision and in my letter No.499/C.S. dated 18/20th July 1929, submitting the draft byelaws of the Bank for the consideration of Government, I had stated as follows:-

> "The powers of the Board of Supervision are cut down as it is not fair that this Board should sit in judgment over the decisions of the Board of Directors. The General Body is competent to hear appeals against the decisions of the Board of Directors".

Therefore the proposals of the President in this respect may be accepted.

The next important point relates to the clause fixing the dividend rate at 5 per cent in the Regulation itself. The President is of opinion that the clause may be deleted as Government can fix the rate in the byelaws and rules which are subject to the approval of Government. Apart from the fact that the maximum dividend rate in Co-operative Institutions is generally fixed in the Co-operative Rules framed by Government under the Regulation and also in the byelaws of the respective institutions, the President does not give any special reasons for removing the clause from the Regulation. The real reason seems to be the desire to increase

the rate. He states "Further, the maximum rate of 5 per cent fixed in the Regulation is too low to attract share-holders other than prospective borrowers". So the object of removing the clause from the Regulation is obvious. It is easier to get a rule or byelaw amended than to get a section of a Legislative enactment amended. When once the section is deleted from the Regulation, the chances of getting the dividend rate increased are many. In view of the fact that the loans to members should be granted at a reasonably low rate and as it is also very necessary that the Bank should build up a substantial reserve fund out of its profits, so as to secure public confidence, particularly of the debenture-holders, I am of opinion that this point may be left out of consideration for the present.

The other amendments are all necessary and may be taken up for consideration at an early date.

I have the honor to be,
Sir,
Your most obedient servant,

K H Ramayya

Registrar.

Copy of letter No.S.I.115 dated 18/19th September 1931 from the President, The Mysore Co-operative Land Mortgage Bank, Ltd., Bangalore City, to the Registrar of Co-operative Societies in Mysore.

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I have the honour to state that in the light of the experience gained in the working of the scheme of Land Mortgage Bank during nearly the past two years since it was inaugurated, it is considered necessary and desirable for the successful operation of the scheme to make certain amendments in the Regulation V of 1929 by which certain special provisions relating to the Land Mortgage Bank were incorporated in the Co-operative Societies Regulation of 1918. A draft of the proposed amendments together with a note explaining the scope of the amendments and the reasons therefor is herewith attached. The proposed amendments were considered and approved by the Directors of this Bank at their meeting held on the 5th September 1931.

I request that you will be so good as to submit the draft amendments for the approval of Government and to move Government to take action to place the necessary amending Bill before the Legislative Council as early as possible.

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Bangalore
11th December 31.

K H Ramayya
Registrar.

Objects and reasons for the proposed amendments.

I. Under section 52(1) of the Regulation, loans are to be granted by Land Mortgage Bank primarily for the liquidation of prior debts of agriculturists; and loans for improvement of lands can, under section 58(3), be granted only to persons to whom loans have been given for liquidation of prior debts. The restriction is calculated to seriously detract from the usefulness of the Bank. Land improvement is an eminentl fit object for the grant of long term loans recoverable in easy annual instalments. This is recognised by Government themselves, who have made provision therefor in the Land Improvement Loans Regulation and Rules thereunder. In Madras and other British Provinces where the Land Mortgage Scheme is in force, land improvement is recognised as one of the primary objects for which long term loans can be granted by the Land Mortgage Institutions without placing a restriction thereon of the nature contained in section 58 (3) of our Regulation. Any applicant for loan can easily circumvent the provisions of this section by first borrowing from somebody the amount required for the improvement of his lands and then applying to the Bank for a loan to discharge the debt. The special committee appointed to consider the question of expansion of cultivation under the Irwin Canal have also recommended the amendment of the Regulation, so as to provide for the grant of long term loans by Land Mortgage Institutions for land improvement without the restriction placed on such loans by the above mentioned section. Further, the grant of such loans by Land Mortgage Banks besides being of great advantage to the agriculturists will also tend to relieve the Government to a great extent of the need for the grant of land improvement loans themselves in places covered by the operations of the Land Mortgage Bank. For these reasons, it is proposed to make the necessary alterations in section 52(1) and section 58 (2) & (3) so as to permit of the grant of loans by Land Mortgage Institutions for land improvement even though no prior loans have been obtained by the applicant for discharge of his debts.

II. The Regulation provides for the appointment of a Board of Supervision for the Co-operative Land Mortgage Bank. ℄ Vide sections 53 (a & (m), 55,54 and 66(a)). When there is a Committee of Management of which the members of the Bank, the debenture holders and the Government are all represented

represented, there is no need for a Board of Supervision. There is no such Board in any of the provinces in British India wherein the scheme of Land Mortgage Bank has been introduced. The Committee of Management of the Bank (i.e., the Board of Directors) is subject to the general control and supervision of the General Body of shareholders as well as the Government; and the creation of another body over it in the form of a Board of Supervision elected by the same constituents will be as a fifth wheel to a coach, and instead of serving any useful purpose, may tend to weaken the sense of responsibility of the Committee of Management and hamp the smooth working of the Bank by creating friction between the Board and the Committee. The Government have themselves in a way recognized the absence of any need for such a Board by withholding the creation of the Board for the first 2 years after the registration of the Bank and directing the Registrar to perform the functions of the Board during the period. (Vide Rule 1 (5) of the Rules relating to Co-operative Land Mortgage Bank and local Land Mortgage Societies issued with Notification No.G.5929/L.M. 4-29-4 dated 11th November 1929.) It is therefore proposed to delete from the Regulation the provision for the appointment of a Board of Supervision and all references to such a Board.

III. Section 53(b) restricts the dividend payable on the share capital of the Land Mortgage Bank to 5 per cent per annum. As the Co-operative Regulation makes general provision for restricting the dividends payable by all co-operative institutions to such maximum rate as may be fixed by Government from time to time, there is no necessity for fixing a separate maximum rate in respect of the Land Mortgage Institutions and specifying such rate in the Regulation itself. Further the maximum rate of 5 per cent fixed in the Regulation is too low to attract shareholders other than prospective borrowers, and such a restriction will not be conducive to the best interests of the Bank. It is proposed therefore to delete the above mentioned clause (section 53 (b)) from the Regulation.

IV. Section 59 to 64 provide for the procedure to be adopted by the Land Mortgage Bank for the recovery of its dues from defaulting members. Though in section 52 (1), the term 'Co-operative Land Mortgage Bank or Ban has been defined as meaning a co-operative society formed for granting loa

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to agriculturists on the mortgage of their lands, in view of the distinction made in sections 52 (2) and 66(c) between the 'Co-operative Land Mortgage Bank' and 'Local Land Mortgage societies', it is considered that the term 'Bank' should be taken to mean only the Central Land Mortgage Bank and that the provisions of sections 59 to 64 mentioned above relating to 'Co-operative Land Mortgage Bank' or "Bank" cannot therefore be made applicable to primary Land Mortgage Societies also. It is obviously necessary to bring the Primary Societies also within the scope of these sections to enable them to take prompt and effective steps for recovery of their dues from defaulting members. For this purpose, it is proposed to do away with the distinction mentioned between the Bank and Societies in this respect by amending the definition of the term 'Co-operative Land Mortgage Bank or Bank' contained in section 52 (1) so as to include all co-operative land-mortgage societies granting loans to agriculturists, whether directly by themselves or through other societies affiliated to them. Section 52 (2) separately defining 'Local Land Mortgage Society' will be deleted.

V. Section 54 gives power to Government to nominate one member to the Committee of Management (i.e., the Board of Directors of the Bank) so long as interest on any loan raised by the Bank is guaranteed by Government or contribution of any kind is made by the Government to the capital of working expenses of the Bank. The bye-laws of the Land Mortgage Bank as revised by Government provide for the nomination of the President by the Government. In view of the great stake that Government will have in the Bank so long as it guarantees its debentures, it is desirable that in addition to the President of the Bank -who is likely to be ordinarily a non-official, in whom Government have confidence - the Government should have power to nominate another person - preferably an officer of Government - to safeguard their interests. It is therefore proposed to amend section 54 so as to empower Government to nominate two members to the Committee instead of only one in the circumstances mentioned in the Section.

VI. Section 53 provides for the byelaws of a Co-operative Land

Mortgage Bank being subject to the approval of Government. As it is proposed to define the word 'Land Mortgage Bank', so as to include Primary Land Mortgage Societies also, and as it is evidently desirable to leave the approval of the byelaws of these societies in the hands of the Registrar instead of every one of them coming up to Government, it is proposed to amend section 53 so as to provide for the approval of the byelaws of the Land-Mortgage Bank either by Government or by such officer as may be authorised by them in this behalf. With this amendment, it will be open to Government to retain in their hands the power of approving of the byelaws of the Central Bank and empower the Registrar to approve of the byelaws of the Primary Land Mortgage Societies.

The other amendments proposed to be made in the Regulation are all verbal and consequential and call for no remarks.

Sd/- K.R. Srinivasiengar,

PRESIDENT,
Mysore Co-operative Land Mortgage Bank,
Ltd.

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H Ramaya

Registrar.

Bangalore
11th December 1931.

Draft amendments to the Mysore Co-operative Societies Regulation V of 1929.

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1. Section 52 clause (1): substitute the following for the above clause:-

" 'Co-operative Land Mortgage Bank' or 'Bank' means a Co-operative Bank or Society formed primarily for granting loans either by itself direct or thorugh other societies affiliated to it, on the mortgage of agricultural land for the liquidation of prior debts of agriculturists, or for the improvement or better cultivation of agricultural land."

2. Delete clause (2) of Section 52, and renumber clause (3) as clause (2).

3. Section 53: After the word 'Government' in line 3, add 'or such officer as may be authorised by Government in this behalf'

4. Delete clauses (a) and (b) of section 53, transfer clause (c) as the penultimate clause of the section and renumber the sub-clauses accordingly.

5. Section 53 clause (9): Delete the words 'with the previous sanction of Government' in line 1 and the words 'and the Board of Supervision' in line 4.

6. Section 54: For the words 'one member' in line 5, substitute 'two members' and delete the words 'and one member to the Board of Supervision' in line 6.

7. Section 55: Delete the words 'and of the Board of Supervision' in lines 3 and 4.

8. Section 58 sub-section (2): Delete the words 'for the redemption . . . . . prior debts' in lines 1 and 2. Sub-section (3): Delete the words 'for the improvement . . . . . agricultural land or' in lines 1 and 2, and for '(2)' in line 5 read '(1) (a), (b), and (c)'. For the word 'either' in line 4, substitute 'any'

9. Section 66: Delete sub-section (a) and renumber the succeeding ones as (a) (b) and (c).

For the old sub-section (c) renumbered as (b), substitute the following:-

"the mutual rights and obligations of Primary Land Mortgage Banks and Central Land Mortgage Banks which conduct their business through them"

Sub-Clause (c): Delete the words 'and the Board of Supervision' in lines 2 and 3.

10. Section 67: Delete the words 'and local Land Mortgage Societies' in lines 2 and 3.

Note: A copy of the Regulation V of 1929 embodying the above amendments is attached.

Sd/- K.R. Srinivasiengar

President
Mysore Co-operative Land-Mortgage Bank.

"copy"

Bangalore
11th Decr. 1931.

Registrar.

PROPOSED AMENDMENTS TO THE PROVISIONS OF THE
THE LAND MORTGAGE BANK:

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1. The amendment of Sections 52 (1) and 58 (2) and (3) so as to permit of the grant of loans by the Land Mortgage Bank for land improvement even though no loans have been granted for discharge of prior debts, is a very necessary and desirable one and had already been proposed by me. The amendments proposed by the President of the Land Mortgage Bank in this respect may be recommended.

2. The present Regulation provides for the appointment of a Board of Supervision for the Land Mortgage Bank in addition to a committee of management. The functions of the Board of Supervision as laid down in the Rules are (1) to conduct a super-audit of the accounts of the Bank an intimate the results thereof to the General Body, (2) to advise the Board of Directors on questions of general policy and working of the Bank, and issue of debentures, etc. The President of the Land Mortgage Bank recommends that the relative provisions viz., 53 (a) and (b), 54, 55, and 66 (a) may be altogether deleted from the Regulation, on the grounds that (1) there is no necessity for the Board of Supervision and (2) that friction may arise between the Board of Directors and the Board of Supervision and the smooth working of the Bank may thus be hampered.

The President apparently thinks that supervision and control over the work of the Board of Directors may be exercised by the Government in place of a separate Board of Supervision.

The reasons for including the provisions relating to the Board of Supervision in the present Regulation do not appear to have been expressly enunciated anywhere. The Land Mortgage Bank Committee appointed in March 1929

approved of the constitution and functions of a Board of Supervision with regard to the work of the Land Mortgage Banks and provided therefor in the draft- bye-laws which they submitted to Government. Regarding the byelaws they said "the byelaws which we attach to this note give a detailed idea of the scheme which has our approval." The Select Committee which considered the amending Bill in May 1929 have offered no remarks in the matter.

While it is true that a Board of Supervision has not been constituted in the other provinces of British India in which the land mortgage scheme has been taken up, such a body appears to have been constituted and working successfully in the modern land mortgage credit institutions in Germany, such as the Bavarian Agricultural Bank etc, and elsewhere, and perhaps the present provision is based upon this practice. Apart from this, it seems to me to be too early to say whether there will be a need or otherwise for a Board of Supervision, and how it will function; to avoid undue departmental supervision, and to facilitate settlement of questions of mutual conflict between the Land Mortgage Bank and the Societies or of conflict between the debenture holders and the Board of Directors of the Land Mortgage Bank, and the Trustee and the Board, it may perhaps be necessary, and even desirable to have an advisory and consultative body of the standing of the Board of Supervision. In these circumstances, it seems that an open mind may be kept upon the question and as provisions relating thereto have already been made in the Regulation and there seems to be no harm in their continuance, pending further experience of the working of the Land Mortgage Scheme, they may perhaps be allowed to remain for the present, and in exercise of their rule making powers,

Government may be addressed to amend rule 8x of the rules so as to empower the constitution of the first board not later than 5 years instead of two years as now. At the expiry of this period, the question may be further considered.

3. The President proposes that section 53 (b) of the Regulation which restricts the maximum dividend payable by a Land Mortgage Bank to 5% per annum may be altogether deleted, the reasons urged being (1) that 5% is too low a rate to attract shareholders other than prospective borrowers, and therefore that the maximum rate of 7½ fixed for the ordinary credit and other co-operative societies may be fixed for the Land Mortgage Institutions also, and (2) there is no need for specifying the rate in the Regulation itself.

The question being an important one, requires, I think, some careful consideration. In the first place, the maximum rate prescribed for the ordinary credit societies will not be suitable for the land mortgage societies also, as the former deal mainly in short term and the interest rates of the societies are comparatively much higher, whereas the latter deal only in long term loans and have to keep their rates of interest as low as possible, to be of any real benefit to the agriculturist. Since the rate of interest on loans of the land mortgage societies has been fixed at 8%, the rate of dividend now prescribed seems to be reasonable. The allowance of a high rate of dividend in a land mortgage institution is to be deprecated as then a large number of share holders of the investor class will come into the bank and this will lead to conflict between the interests of the borrowers and the other share holders, with serious detriment to the success and popularity of the bank.

The Land Mortgage Institution Rules in more

the Cooperative type, it is mainly the borrowing persons that are expected as members and only some sympathisers of the movement and other interested persons may become members thereof.

The fixing of the maximum rate of dividend in the Regulation itself and that at a low figure is also necessary to inspire confidence in the debenture holders of the Bank and to float debenture issued successively - a matter which is of prime importance to the Bank. Besides, for some years to come, there may be no occasion for declaring a rate of dividend in excess of 5%, and the question may perhaps be considered after some more experience of the working of the Bank is obtained.

It does not also seem inappropriate to fix the rate of dividend in the Regulation itself. In the case of the English Agricultural Credit Corporation which has been organised in England very recently for taking up land mortgage work, and which is further a joint stock corporation, the maximum rate of dividend has been fixed at 5% and is prescribed in the Agricultural Credit Act itself. Section 2 (3) (b) is as follows:-

> "The memorandum or Articles of the Company shall make provision restricting the dividends on the share capital of the Company to five per cent per annum."

A similar thing is done in the Irish Agricultural Credit Act of 1927 and other institutions as well. It seems therefore desirable to defer consideration of the proposed amendment, and take it up at the expiry of 5 years as in the case of the Board of Supervision. In this connection, I may invite reference to the four notes of Mr. K.R.Srinivasiengar of January 1931, wherein the question was raised and to my remarks thereon in para 8, which are extracted ~~in the margin~~ below for ready reference.

4. The other amendments proposed by the President of

the Land Mortgage Bank are all urgently necessary and desirable, and may be recommended to Government.

A draft to Government on the above lines is put up for approval.

Sd/ E.V. Ramaprakash Rao

Deputy Registrar.

Copy

K.H. Ramarao

Registrar, Co-operative Societies in Mysore

Tour Notes of Rajasabhabhushana K.R.Srinivasiengar, Esq., M.A., President, The Mysore Co-operative Land Mortgage Bank, Ltd., Bangalore, for January 931.

* * *

Extract of Para No.6 (1) under "The Madras Central Co-operative Land Mortgage Bank, Ltd."

"The maximum amount of dividend payable to share holders has been fixed at 7 per cent in the case of the Central Bank and at 8 per cent in the case of the Primary Banks in Madras. Here in Mysore, the maximum ~~xxx~~ dividend payable for our bank has been fixed at 5 per cent in the Regulation itself. In the first instance, I think that a provision of this kind is out of place in the Regulation and should be left to be provided for in the Rules and bye-laws, as has been done in the case of other co-operative institutions in the State. Secondly, the limit of 6 per cent prescribed for the Land Mortgage Banks in Mysore is too low to attract any body to take up shares in the Bank. I think that the same limits as have been prescribed in Madras may be adopted by us also."

Remarks of the Deputy Registrar of Co-operative Societies on the above. (Vide Office Note dated 9th February 1931).

"As regards the raising of the maximum dividend admissibl in the Land Mortgage Bank and Societies, this does not appear to be a desirable thing as the institution will thereby be precluded from building up a large Reserve fund as early as possible, which is the first essential, and secondly, it will become a dividend-hunting concern and tend to keep down the Co-operative elements of the institution. Besides, the number of individuals, other than borrowers, is after all limited, and as regards the borrowers there is no benefit to them in fixing a higher dividend limit. It is not desirable to sacrifice the interests of the borrowers for the benefit of a limited number of individuals."

"Extracts."

Sd. E.V. Ramakrishnayya
Deputy Registrar.

K.H. Ramayya
Registrar, Co-operative Societies in Mysore.

REGULATION V OF 1929.

(Received the assent of His Highness the Maharaja on the Fourth Day of July 1929.)

A Regulation to amend the Mysore Co-operative Societies Regulation, 1918.

NOTIFICATION.

No. P. 365—Legis. 63-28-2, dated the 15th July 1929.

Ordered that the accompanying Regulation to amend the Mysore Co-operative Societies Regulation, 1918, which received the assent of His Highness the Maharaja, on the 4th day of July 1929, be published as Regulation No. V of 1929, in the *Mysore Gazette* for general information.

By Order,
P. MAHADEVAYYA,
Secretary to Government,
Law Department.

REGULATION V OF 1929.

(*Received the assent of His Highness the Maharaja on the Fourth Day of July* 1929.)

A Regulation to amend the Mysore Co-operative Societies Regulation, 1918.

Whereas it is expedient to amend the Mysore Co-operative Societies Regulation, 1918; It is hereby enacted as follows :—

Amendment of Section 4.

1. In section 4 of the Mysore Co-operative Societies Regulation, 1918, between the words "Mysore" and "and" the words "or for any class of such societies" shall be inserted.

Special provisions for Land Mortgage Banks.

2. After section 51 of the said Regulation, the following sections shall be added under the heading "Special Provisions Relating To Co-operative Land Mortgage Banks":—

"SPECIAL PROVISIONS RELATING TO CO-OPERATIVE LAND MORTGAGE BANKS.

Definitions.

"52. In the following sections, unless there is anything repugnant in the subject or context,—

(1) 'Co-operative Land Mortgage Bank' or 'Bank' means a Co-operative Society formed primarily for granting loans on the mortgage of agricultural land and for the liquidation of other prior debts of agriculturists, or for the improvement or better cultivation of agricultural land.

(2) 'Local Land Mortgage Society' means a Co-operative Society through which a Co-operative Land Mortgage Bank may conduct its business in any local area.

(3) 'Trustee' means the person appointed by the Government to secure the fulfilment of the obligations of a Co-operative Land Mortgage Bank to the holders of debentures issued by such Bank.

Bye-laws subject to previous approval of Government; Contents of bye-laws.

"53. The first bye-laws of a Co-operative Land Mortgage Bank as well as every alteration thereof shall be subject to the previous approval of the Government, and shall make provision, among other matters, for—

(a) constituting a Board of Supervision in addition to a Committee;

(b) restricting the dividends on the share capital so as not to exceed five per cent per annum;

(c) constituting a reserve fund and carrying to it a sum not less than ten per cent of the net profits of every year;

(d) fixing the minimum and maximum amount of loans that may be granted;

(e) fixing the maximum rates of interest on loans;

(f) fixing the maximum duration of loans;

(g) ear-marking the capital raised by debentures for the grant of loans on the mortgage of agricultural land;

(h) the valuation of the property offered as security for loans;

(i) fixing the proportion which the amount of loan should bear to the value of the property offered as security for the loan;

(j) fixing the maximum rate of interest on debentures and the maximum and minimum periods for the redemption thereof;

(k) the manner and conditions of redemption and repurchase of debenture bonds;

(l) the reduction of the rate of interest payable on any series of debenture bonds at any time after the expiry of the minimum period of redemption thereof and after giving the holders the option to accept payment in cash at par;

(m) transferring to the trustee, if so required by him, the Bank's rights in the mortgages on the security of which debentures are issued and crediting to an account

opened in his name in such other bank as may be approved by the Government all recoveries made from the members of the Bank under the terms of their mortgage deeds;

(*m*) getting the accounts of the Bank audited at least once a year by a duly certified auditor or by an officer deputed by the Government; and

(*n*) regulating ~~with the previous sanction of Government~~ other matters concerning the organization and working of the Bank, the remuneration, if any, which the members of the Committee ~~and the Board of Supervision~~, the local agents and auditors are to receive.

Power of Government to nominate one member to Committee and Board of Supervision.

"54. When the interest on any loan raised by the Bank is guaranteed by the Government or when contribution of any kind is made by the Government to the capital or working expenses of the Bank, the Government shall have the power to nominate ~~one~~ members to the Committee ~~and one member to the Board of Supervision~~, whether such nominees are members of the Bank or not.

Appointment of representatives of debenture holders to Committee and Board of Supervision.

"55. When any part of the capital of the Bank consists of loans raised by debentures issued by the Bank, not less than two members of the Committee ~~and of the Board of Supervision~~ shall be representatives of the holders of such debentures, whether they are members of the Bank or not, and they shall be selected in the manner prescribed by the Government.

Issue of Debentures.

"56. Debenture bonds may be issued by a Co-operative Land Mortgage Bank only with the previous sanction of the Government and they shall be in such form and contain such covenants and provisions as the Bank, with the previous sanction of the Government, may prescribe.

Debentures to be negotiable instruments and securities for investing trust funds.

"57. Debenture bonds issued in conformity with section 56—

(*a*) shall be deemed to be negotiable instruments to which the provisions of the Mysore Negotiable Instruments Regulation, 1917, apply, and

(*b*) shall be included amongst the securities in which a trustee may invest trust funds under any law for the time being in force in Mysore.

Purposes for which loans may be granted

"58. (1) A Co-operative Land Mortgage Bank may grant loans only for the following purposes, namely—

(*a*) for the redemption of subsisting mortgages on agricultural land,

(*b*) for the liquidation of other prior debts of agriculturists,

(*c*) for the improvement or the better cultivat of agricultural land, and

(*d*) for current agricultural operations.

(2) A loan ~~for the redemption of subsisting mo gages or for the liquidation of other prior debts~~ may granted only on the mortgage of agricultural land wh is situate in Mysore and is free from all incumbran other than those, if any, to be redeemed. Such mortg shall be without possession.

(3) No loan ~~for the improvement or the bet cultivation of agricultural land or for current agricultu~~ operations shall be granted except to a member who l been previously granted a loan for either of the purpo specified in sub-section (2) and whose mortgage is s sisting.

When a loan may be recalled.

"59. A Co-operative Land Mortgage Bank m recall a loan—

(i) if after the loan has been granted, the inform tion furnished by the borrower regarding the security, t incumbrances thereon or his interest therein is found be incorrect in material particulars, or

(ii) if the loan is utilised for a purpose differer from that for which it was granted, or

(iii) if the mortgaged property has, in the opinio of the Bank, deteriorated in its value as security for th loan and the borrower fails to furnish additional securit to the satisfaction of the Bank, or

(iv) if on the death of the borrower, or in the cas of joint borrowers, on the death of any one of them, hi legal representative does not consent to continue as member of the Bank, or

(v) if for any other reason the borrower, or in th case of joint borrowers any one of them, ceases to be member of the Bank, or

(vi) if the borrower commits default in the paymen of any instalment on the due date, or

(vii) if the borrower alienates, or creates any sub sequent incumbrance on, the mortgaged land.

Remedies if a loan recalled is not repaid.

"60. (1) When a loan is recalled under the provi sions of section 59 and is not repaid within three month from the date of recall, the Bank may apply to the Regis trar for the recovery of the loan.

(2) If, after such inquiry as may be prescribed by the Government, the Registrar finds that the amount or

any part of the amount claimed in such application is due to the Bank, he may, having regard to all the circumstances of the case—

(*a*) extend the time for the payment of such amount for a period not exceeding six months and, if the amount is not paid within such period, order the sale of the land or other security or a sufficient part thereof, or

(*b*) order that the Bank be put in possession of the said land for a reasonable period and upon good cause shown extend such period, or

(*c*) forthwith order the sale of the said land or other security or a sufficient part thereof,

as he thinks fit.

(3) The Registrar may also, upon good cause shown and after notice to the borrower, order the sale of the land at any time after the Bank has been put in possession of it.

(4) Every order made under this section for possession or sale of the land shall be sent to the Deputy Commissioner of the District in which the land is situate, for execution.

Bank's rights not affected by subsequent transfer of mortgaged land.

"61. Notwithstanding anything contained in the Transfer of Property Regulation, 1918, or any other law for the time being in force, no incumbrance created on the land, and no lease thereof, and no transfer of the same by sale, gift or otherwise by the mortgagor and no charge thereon created by the decree of a Civil Court or otherwise arising by operation of law, after such land has been mortgaged to the Bank, shall affect the right of the Bank to any of the remedies provided in section 60:

Provided that if any such incumbrancer, alienee or charge-holder has had his interest in the land registered in the office of the Bank in accordance with the rules framed by the Government in this behalf, the Bank shall, when the loan is recalled under the provisions of section 59, send by registered post to every such person a written notice of such recall.

Bank's duties on taking possession of mortgaged land.

"62. When a Co-operative Land Mortgage Bank is put in possession of the mortgaged land in execution of an order made under section 60, the Bank shall be subject to all the duties imposed by section 76 of the Transfer of Property Regulation, 1918, on a mortgagee taking possession of the mortgaged property during the continuance of the mortgage and it shall, unless the land has been sold

in execution of an order made under sub-section (3) o section 60, restore possession thereof to the mortgagor o the person claiming through him, as the case may be, o the expiry of the period fixed by the Registrar, or earlie on full discharge of the amount due.

Execution of order of sale made by the Registrar.

"63. (1) An order for sale made under section 6 shall be executed, so far as may be, in accordance wit the procedure laid down in, and subject to the provision of, sections 171 to 173, 175, 179 to 183, 183A, 184 to 187 187A, and 188 of the Mysore Land Revenue Code, 188 for the sale of immoveable property, as if the arrears du to the Bank were arrears of land revenue.

(2) When the sale is confirmed by the Deput Commissioner in due course, no other person having an interest in the land sold shall, notwithstanding anythin contained in the Transfer of Property Regulation, 191 or any other law for the time being in force, have an claim against the purchaser or in respect of such land, such interest has been acquired subsequent to the mort gage of the land to the Bank.

(3) When the sale is confirmed, the proceeds of th sale shall be applied first to the defraying of the expenses of the sale proceedings and next to the payment to the Bank of the amount due to it together with interest and costs, and the surplus, if any, shall be paid to the mortgagor or other person claiming through him, as the case may be.

(4) When there is any dispute as to the right to receive the surplus, such surplus shall not be paid to any person except under the order of a Civil Court.

Registrar when to take an account.

"64. (1) When any dispute arises regarding the amount paid to the Bank in reduction or discharge of a loan or when it is alleged that the Bank has failed to perform the duties imposed upon it by section 62, the Registrar shall, upon application made to him in that behalf by the borrower or other person claiming through him, take an account, or order that an account be taken, of what is due to the Bank.

(2) The loss, if any, that is proved to have been occasioned by the failure of the aforesaid duties, shall be debited to such account.

(3) If, upon taking the account as aforesaid, the Registrar finds that nothing is due to the Bank or that the Bank has been over-paid, he shall order the Bank—

(*a*) to deliver up to the applicant all documents in its custody or power relating to the property mortgaged to it as security for the loan,

(*b*) to pay to the applicant the amount which may be found due to him, and

(*c*) to restore possession of the mortgaged property to the applicant,

as the circumstances of the case may require.

(4) The amount ordered to be paid under clause (*b*) of sub-section (3) shall be recoverable as an arrear of land revenue.

Execution of orders for possession and restoration of possession.

"65. Orders for possession and restoration of possession, made under section 60 and section 64, shall be executed by the Deputy Commissioner, so far as may be, in accordance with the procedure laid down in section 209 of the Mysore Land Revenue Code, 1888.

Rules.

"66. The Government may make rules to carry out the foregoing special provisions relating to Co-operative Land Mortgage Banks and in particular such rules may provide for—

(*a*) the appointment, suspension, and removal of the members of the Board of Supervision ; the procedure at meetings of the Board and the powers to be exercised and the duties to be performed by the Board;

(a) ~~(b)~~ the powers to be exercised and the duties to be performed by the trustee and the form of investment or deposit of the funds credited to his account in trust for the redemption of debentures;

(b) (*c*) ~~the constitution and working of Local Land Mortgage Societies and~~ the mutual rights and obligations ~~of such societies~~ and the ~~Co-operative~~ Land Mortgage Bank which conducts its business through them; and

(*d*) the manner of selecting representatives of debenture-holders for appointment to the Committee ~~and the Board of Supervision~~.

Application of other provisions of Regulation.

"67. The other provisions of this Regulation shall apply to Co-operative Land Mortgage Banks ~~and Local Land Mortgage Societies~~ in so far as they are not inconsistent with the foregoing special provisions."

MIRZA M. ISMAIL,
Dewan.

GEN. & REV. DEPT. BANGALORE
14 DEC. 1931
DEVELOPMENT BRANCH.

NOTIFICATION.

No. G. 13306—*L..M.* 4-29-7, *dated* 12*th May* 1930.

In exercise of the powers conferred on them by Section 66 of the Mysore Co-operative Regulation, VII of 1918, as amended by Regulation V of 1929, the Government of His Highness the Maharaja of Mysore are pleased to make the following modifications in the Rules of the Mysore Co-operative Land Mortgage Bank issued with Notification No. G. 5929– L. M. 4 29-4, dated the 11th November 1929:—

Rule 3 (5) will be omitted.

For Rule 3 (6), the following shall be substituted:—

"Subject to the bye-laws of the Land Mortgage Bank, loans shall be sanctioned to an affiliated society on such society furnishing a list of its members who have applied for loans together with the records of investigation relating to the object for which the loans are required, the sufficiency of the security offered and other material particulars necessary for arriving at a decision and also on condition of its transferring to the Bank the mortgage deeds obtained by it from the borrowers. Provided that it shall be open to the Bank to require such additional enquiry or information as may be necessary or to cause any supplementary investigation to be conducted."

For clause (c) of Rule 3 (10) the following shall be substituted.

"(c) to take the sanction of the Bank before raising funds from any source other than the Bank."

By Order,
N. MADHAVA RAO,
Chief Secretary to Government.

Section L m

File No. 13-31

Serial No. 4

Diary No. of letter replied to .....

No. D. 4925

To The Regr of Cs.

General and Revenue Secretariat

( )

the *193*

Sir,

Date of issue 1-4-32

With refce to the Correspdce ending with your letter No. 41 dy 12.12.31, regarding certain proposed amendments to the Coopve Regn, I am directed to invite a refce to the proposed deletion of Sec. 53(b) of the Regulation, and to enquire what the corresponding rate of dividend in L.M. Banks Signed by Mr. BPM

List of enclosures .....

the Madras & Bombay Acts, where the same is fixed in Laws or Rules under them.

Copied by .....

In this connection I am to observe that ~~With regard to the question of fixing~~ the Dividend rate of the Bank low, it ~~is observed that~~ L.M. Banks

Examined by .....

WD 71—GBPM—40,000—20-7-31.

might not attract sufficient
Capital for their purposes. I am therefore
to enquire how much of the
Capital of these Banks could be expected to
be found from Shares and how much from
floatation of debentures by them.

An early reply on the above points is
requested.

Yours
26/3/32
for Dev. Secy

No. 7190/Cs

Telegraphic Address: "CO-OPERT" BANGALORE

DEPARTMENT OF CO-OPERATION
GOVERNMENT OF MYSORE.
OFFICE OF THE REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE.

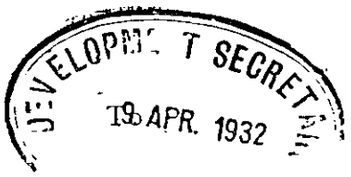
Dated, Bangalore, 9th April *1932.*

C 713-31-6 D 383

FROM

K. H. RAMAYYA, ESQ., B.A., BAR-AT-LAW,
REGISTRAR OF CO-OPERATIVE SOCIETIES IN MYSORE, BANGALORE.

DEVELOPMENT BRANCH



B.T. Kesaviengar, Esq., B.A.,

Secretary to Government,
Development Department, BANGALORE.

File sent to Revd. books not received from 3/4 vide my

Sir,

With reference to your letter No. D.4925/LM 13-31-4 dated 31st March 1932 regarding the proposed deletion of Section 53 (b) of the Mysore Co-operative Societies Regulation No. V of 1929, I have the honour to state as follows:

2. There is no special law yet for the Land Mortgage Banks in Madras, nor in Bombay, though the enactment of the same is under contemplation. The Madras Central Land Mortgage Bank and the land mortgage Societies have been registered under the Co-operative Societies Regulation itself. The maximum rate of dividend payable to share holders in the Madras Central Land Mortgage Bank has been fixed in the byelaws at 7%, subject, however to a contribution from the net profits to the Reserve Fund of the Bank of not less than 25%. The Madras Co-operative Societies Statutory Rules provide that, in the case of societies with shares and limited liability, no society shall pay dividend to its share holders at a rate exceeding 9% per annum. In Bombay, there is at present no separate Central Land Mortgage Bank, the financing of primary land mortgage societies for the grant of land mortgage long term loans being made by the Bombay Provincial Co-operative Bank itself. The byelaws of the Bombay Land Mortgage Societies do not provide any specific rate of dividend, but state that "after carrying 25% to the Reserve Fund and paying a bonus, if any, to office holders, the balance may be carried to a general reserve fund or shall be available for paying a

dividend on shares."

3. As regards the observation that if the dividend rate is kept low, Land Mortgage Banks may not attract sufficient capital for their purposes, I am to state that this may be true only in the case of share capital attracted from non-borrowing members. In a land mortgage Bank of the Co-operative type, the borrowing members generally form the large majority, and the capital required by the Bank for the grant of long term loans has to be raised by the issue of debentures floated upon the security of the mortgages obtained by the Bank and its assets. In fact, under byelaw 35 of the byelaws of the Myso Land Mortgage Bank, extracted in the margin for ready reference, only debenture moneys should b for the grant of long term loans, share capital being used for short term loans, if any.

> ...law 35: The capital raised by debentures shall be earmarked for the grant of long term loans on the mortgage of agricultural land, short term loans, if any, being granted out of share capital and deposits.

And as the question of the grant of short term loans and the receipt of fixed deposits by the Land Mortgage Bank and Societies has been deferred for the present, the attraction of a large amount of share capital is not necessary. In these circumstanc I am of opinion that the rate of dividend on shares of the Land Mortgage Bank now fixed in the Regulation may be continued, as already explained in my letter No.4110 CS dated 12th December 1931 adverted to by you.

I have the honour to be,

Sir,

Your most obedient servant,

AKM)8/4

Registrar.

Appendix F G—1]

SUBJECT .....

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Section L. R.

File No. 13-31

Serial No. 7

Diary No. of letter replied to .....

No D. 5622

To The Regr. of C.S.

Sir,

General and Revenue Secretariat

( )

the *193* .

With refce to your letter No 4110 C.S. of 12.12.1931 requesting approval to your proposal to increase the time limit prescribed for the Constitution of the Board of Supervision of the L.R. Bank from two to four years, I am directed to state that Bye law 81 which was made in pursuance of Sec 53(1) of Regulation V of 1929 says that the said Board shall come into existence two years after the opening of the Bank, and that there is nothing to prevent the L.R. Bank to alter this bylaw

Date of issue 9/5/32

Signed by Mr. B. Muvvarkrishnappa

List of enclosures .....

Copied by .....

Examined by .....

—GPBM—40,000—20-7-31.

subject to the approval of Govt
so as to make the Board come
into existence four years after
the opening of the Bank.

~~The first portion of Rule~~ 5
of the Rules which provides for the
Constitution of the Board may be
omitted entirely. It would be enough
if the Rule provides for the Registrar
performing the functions of the
Board till it is constituted as
per bye-laws 81.

I have &c

J M S
3/5
Dev Secy.
2/5/32